

# NRRIT

National Railroad Retirement Investment Trust

April 2004

## QUARTERLY UPDATE FOR THE PERIOD ENDING MARCH 31, 2004

The National Railroad Retirement Investment Trust ("NRRIT" or "Trust") issues a Quarterly Update to provide current information on Trust operations and activities relating to its investment operations. This Update reports on the Trust's activities for the quarter ending March 31, 2004. A copy of the Trust's Annual Management Report and each Quarterly Update is available on the website of the Railroad Retirement Board ("RRB"), <http://www.rrb.gov>.

As of March 31, 2004, NRRIT had received a total of \$21.3 billion from the RRB for investment. Most of this amount was transferred to it periodically during the first six months of its 2003 fiscal year beginning in October 2002, but an additional amount of \$171 million was received during the quarter just ended. NRRIT has now received its entire initial investment allocation. Additional transfers from the RRB may occur at the end of each fiscal year if account reserves increase during the year. Also during the quarter, NRRIT continued to transfer monies back to the Railroad Retirement Account ("RRA") to help fund benefit payments. NRRIT transfers to the RRA in the quarter amounted to \$237 million. Since NRRIT's inception, it has transferred a total of \$1.4 billion back to the RRA.

### Trustee Update

In February, NRRIT announced the appointment of two new Trustees and a new Chair for the period beginning February 1, 2004. Railroad management appointed Bernie Gutschewski, Vice President for Taxes for Union Pacific Corporation, to a three-year term that expires on January 31, 2007. Railway labor unions appointed Walter A. Barrows, International Secretary-Treasurer of the Brotherhood of Railroad Signalmen, to a three-year term that expires on January 31, 2007. In addition, the Trustees selected Joel Parker, International Vice President of the Transportation Communications International Union, as the Chair of the Board of Trustees for the period of February 1, 2004 - January 31, 2005.

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#### TRUSTEES:

##### Chair

Joel Parker  
International Vice President  
Transportation Communications  
International Union

Walter A. Barrows  
Secretary-Treasurer  
Brotherhood of Railroad  
Signalmen

George J. Francisco, Jr.  
President  
SEIU, National Conference of  
Firemen and Oilers

Paul R. Goodwin  
CSX Corporation

Bernie Gutschewski  
Vice President-Taxes  
Union Pacific Corporation

Thomas N. Hund  
Executive Vice President & CFO  
Burlington Northern Santa Fe  
Corporation

John W. MacMurray  
Independent Trustee

# NRRIT

## National Railroad Retirement Investment Trust

### Investment Performance

At the outset of its investment activities, the Trust adopted a policy of investing its assets in indexed accounts targeted to its major asset class allocation. With approximately 65% of assets indexed to equities, the Trust continued to benefit from rising stock prices in the quarter ended March 31, 2004. The Trust's target equity indexes are the Wilshire 5000 Index and the MSCI World Ex-US Index, which increased 2.6% and 4.3% respectively during the quarter. Its fixed income investment allocation targets the Lehman Aggregate Bond Index, which increased by 2.7% during the quarter. The market value of NRRIT-managed assets increased to \$25.3 billion at the end of the quarter. The combined total of NRRIT managed funds and assets held in the Treasury accounts as of March 31, 2004 is approximately \$26.7 billion. This amount represents an increase of \$6.0 billion above the \$20.7 billion equivalent value of Railroad Retirement System assets on February 1, 2002, the inception date of the Trust.

During fiscal year 2003, the NRRIT staff developed an Investment Plan and Procedures Manual which defines the process for diversifying the Trust's assets by using active investment strategies. During the quarter ending March 31, 2004, the NRRIT staff began implementing strategies authorized by the Board which will move the NRRIT portfolio beyond indexation and increase diversification with the use of these active investment strategies.

### Annual Report

NRRIT's Annual Management Report for Fiscal Year 2003, was issued in January 2004. It contains additional information regarding the Trust's investment activities as well as other financial information. The report can be found on the Railroad Retirement Board's website at <http://www.rrb.gov>.